

REFERENCE: APPROVED MINUTES – September 22, 2005 Public Charter School Commission Meeting

**PUBLIC CHARTER SCHOOL COMMISSION MEETING
THURSDAY, SEPTEMBER 22, 2005
LEN B. JORDAN BUILDING, ROOM 302
650 WEST STATE STREET
BOISE, ID**

A special telephone conference call meeting of the Idaho Public Charter School Commission was held on Thursday, September 22, 2005. Chairman Jim Hammond presided. The following members were present:

Kirk Miller	Esther Van Wart	Ann Souza
Marianne Donnelly	Paul Powell	

Commissioner Bill Goesling was absent.

Chairman Hammond called the meeting to order at 11:00 a.m.

1. Falcon Ridge Public Charter School

Karen Echeverria, Commission Staff, stated that Falcon Ridge estimated too low on construction costs for the school's portables. Due to the contractors' payment schedule and unanticipated work required by the Ada County Highway District, Falcon Ridge must secure a loan or other monies prior to January 2006 in order to meet their financial obligations. She explained Falcon Ridge's hope to transfer over-budgeted transportation monies to help cover other expenses.

Christine Ivie stated that because the transportation dollars schools receive are a reimbursement for the previous year's transportation, using transportation money to cover other costs may have a detrimental future effect. She also stated that transportation dollars are intended for use only on transportation.

Brenda Lamphere, member of the Board for Falcon Ridge, stated that the school has been fundraising and working to obtain grants and a loan to cover the anticipated shortfall. She said Falcon Ridge is working with the Harbor Institute to find additional means of cutting costs, perhaps through reducing staff.

Commissioner Powell confirmed with Ms. Lamphere that the school's budget at the time of charter approval was approximately a half-million dollars short of actual costs. He inquired whether other line items in the budget might experience similar shortfalls.

Ms. Lamphere said she did not feel other items would be inadequately funded.

Commissioner Powell requested an explanation of Falcon Ridge's plan in the event they should be unable to raise the necessary funds. He also inquired about the amount of additional funding necessary to complete the school year.

Ms. Lamphere stated that without additional funding, Falcon Ridge will be bankrupt and unable to make payroll by January or February of 2006. The school will require an additional \$200,000 to remain solvent through the 2006 school year. She stated that the banks interested in loaning to Falcon Ridge will require a guarantor, and that the school has found a possible guarantor interested in a CD investment to guarantee the school's loan.

Commissioner Van Wart asked whether potential lenders will require Falcon Ridge to hold money in reserve, in addition to requiring a guarantor.

Ms. Lamphere stated that only the guarantor would be necessary.

Commissioner Miller cautioned that most grants are targeted for specific educational programs rather than for operating expenses. He also asked how Falcon Ridge plans to service payments on the loan over the next several years.

Ms. Lamphere explained that many of the expenses are one-time expenditures that will not represent an ongoing need for financial outlay. She reiterated that Harbor Institute is assisting the school with budgetary reductions.

Commissioner Van Wart requested specific information regarding possible staff cuts.

Ms. Lamphere clarified that any cut positions would be at-will employees rather than certified teachers.

Commissioner Miller asked whether Falcon Ridge had identified any opportunities for revenue enhancement, such as by increasing class size.

Ms. Lamphere said that the school intends to add one grade each year, but those changes are reflected in the existing budget. She said the school's current enrollment is 170 and there is a waiting list of approximately 140 students.

Commissioner Miller confirmed with Ms. Lamphere that Falcon Ridge owns the property on which the school is located and inquired about the possibility of a sale and lease-back to spread costs over a longer time period. Commissioner Powell clarified that Falcon Ridge does not own the property outright but is making payments on an owner-carried loan. Ms. Lamphere agreed and added that the school may have a small amount of equity in the property.

In response to Commissioner Donnelly's inquiry, Ms. Echeverria confirmed that the school did open its doors on September 19, 2005.

Commissioner Powell asked what legal actions were available to the Commission in cases involving an approved charter school.

Kent Nelson, Counsel to the Commission, stated that Section 5209 and Board of Education Rules 300 and 302 allow the Board to consider charter revocation or the formulation of a corrective action plan.

Commissioner Miller stated that as Falcon Ridge had not broken any laws, a corrective action plan may not be a valid option.

Counsel Nelson explained that Subsection 2(c) says "failure to meet generally accepted accounting standards of fiscal management" is cause for corrective action. He said there must also be a material violation under the charter, focusing in this case on the budget submitted with the charter. He stated that the Commission must determine whether a material violation to the charter has occurred.

Commissioner Van Wart asked whether the lending institutions considering a loan to Falcon Ridge would waive their two-year credit history requirement if a guarantor was found, and Ms. Lamphere confirmed that the requirement would be over-ridden.

Chairman Hammond stated his opinion that the Board does not currently have the authority to require a corrective action plan.

Commissioner Souza expressed that her primary concern is not for the school, but for the students who will be misplaced if Falcon Ridge's financial responsibilities are not met.

Commissioner Donnelly stated that if the school's activity were suspended, they would no longer have a budget with which to continue working, and state monies expended to-date would be lost.

Commissioner Powell expressed concern about teachers who left other jobs to contract with Falcon Ridge. He recommended that the Commission require Falcon Ridge to submit a realistic, specific plan including milestones that must be met in order to continue operations.

Chairman Hammond requested that Commissioner Powell work with Ms. Echeverria to provide a letter from the Commission to Falcon Ridge including an outline of milestones to be included in the school's plan. He also requested that Commissioner Miller assist Falcon Ridge in preparing to notify the Kuna School District that a large number of students may be joining them for the spring semester.

Commissioners Souza and Miller recommended that Falcon Ridge provide weekly updates to Commission staff. Commissioner Powell recommended that Falcon Ridge provide an updated year-one cash flow to Commission staff. Chairman Hammond agreed that these items should be provided.

Chairman Hammond adjourned the meeting at 11:55 a.m.

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